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Proposed Counsel to the Debtors and Debtors in Possession

> IN THE UNITED STATES BANKRUPTCY COURT FOR THE EASTERN DISTRICT OF VIRGINIA RICHMOND DIVISION

- - - - - - - - - x In re: Chapter 11 CIRCUIT CITY STORES, INC., : Case No. 08- ____ (___) et al., Debtors. : Jointly Administered - - - - - - - x

MOTION OF THE DEBTORS FOR INTERIM AND FINAL WAIVERS OF INVESTMENT AND DEPOSIT REQUIREMENTS PURSUANT TO BANKRUPTCY CODE SECTIONS 105 AND 345

The debtors and debtors in possession in the above-captioned cases (collectively, the "Debtors")

The Debtors and the last four digits of their respective taxpayer identification numbers are as follows: Circuit City Stores, Inc. (3875), Circuit City Stores West Coast, Inc. (0785), InterTAN, Inc. (0875), Ventoux International, Inc. (1838), Circuit City Purchasing Company, LLC (5170), CC Aviation, LLC (0841), CC Distribution Company of Virginia, Inc. (cont'd)

hereby move (the "Motion") this Court for entry of an order, pursuant to sections 105 and 345 of chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"), waiving, on an interim and final basis, investment and deposit requirements. In support of the Motion, the Debtors rely upon and fully incorporate herein by reference the Declaration of Bruce H. Besanko, Executive Vice President and Chief Financial Officer of Circuit City Stores, Inc., in Support of Chapter 11 Petitions and First Day Pleadings (the "Besanko Declaration"), filed with the Court concurrently herewith. In further support of the Motion, the Debtors respectfully represent:

JURISDICTION AND VENUE

1. This Court has jurisdiction to consider this Motion pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b).

⁽cont'd from previous page)

^{(2821),} Circuit City Properties, LLC (3353), Kinzer Technology, LLC (2157), Abbott Advertising Agency, Inc. (4659), Patapsco Designs, Inc.(6796), Sky Venture Corp. (0311), Prahs, Inc.(n/a), XSStuff, LLC (9263), Mayland MN, LLC (6116), Courchevel, LLC (n/a), Orbyx Electronics, LLC (3360), and Circuit City Stores PR, LLC (5512). The address for Circuit City Stores West Coast, Inc. is 9250 Sheridan Boulevard, Westminster, Colorado 80031. For all other Debtors, the address is 9950 Mayland Drive, Richmond, Virginia 23233.

Venue of these cases and this Motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

2. The statutory predicates for the relief requested herein are Bankruptcy Code sections 105(a) and 345.

BACKGROUND

- 3. On the date hereof (the "Petition Date"), the Debtors filed voluntary petitions in this Court for relief under chapter 11 of the Bankruptcy Code. The factual background regarding the Debtors, including their business operations, their capital and debt structure, and the events leading to the filing of these bankruptcy cases, is set forth in detail in the Besanko Declaration, filed concurrently herewith and fully incorporated herein by reference.²
- 4. The Debtors continue to manage and operate their businesses as debtors in possession pursuant to Bankruptcy Code sections 1107 and 1108.

Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Besanko Declaration.

5. No trustee or examiner has been appointed in these chapter 11 cases, and no committees have yet been appointed or designated.

RELIEF REQUESTED

6. By this Motion, the Debtors seek immediate entry of an interim order waiving the investment and deposit requirements imposed by Bankruptcy Code section 345(b) and, subject to resolution of objections, if any, to the relief requested in this Motion, entry of a final order waiving the investment and deposit requirements imposed by Bankruptcy Code section 345(b).

BASIS FOR RELIEF

7. As described in more detail in the Debtors' cash management motion, filed concurrently herewith and fully incorporated herein by reference, in the ordinary course of their businesses the Debtors

See Motion of the Debtors for Order Pursuant to 11 U.S.C. §§ 105(a) and 363 and Fed. R. Bankr. P. 6003 (I) Authorizing Continued Maintenance of Existing Bank Accounts, (II) Authorizing Continued Use of Existing Business Forms, (III) Authorizing Continued Use of Existing Cash Management System, and (IV) Authorizing Intercompany Transactions (the "Cash Management Motion"). Capitalized terms not otherwise defined herein shall have the meaning ascribed to such terms in the Cash Management Motion.

maintain a highly automated and integrated centralized cash management system (the "Cash Management System") that permits them to fund their ongoing operations in the most streamlined and cost-efficient manner possible.

- 8. The Debtors are able to monitor their cash position on a daily basis. Disbursements are controlled by the Debtors' financial personnel located at the Debtors' headquarters in Richmond, Virginia. By centralizing control over the Cash Management System, the Debtors are able to facilitate cash forecasting and reporting, monitor collection and disbursement of funds, and maintain control over the administration of various bank accounts required to effect the collection, disbursement, and movement of cash.
- 9. The prepetition bank accounts maintained by the Debtors, including the accounts discussed below (collectively, the "Bank Accounts"), are identified on the list attached hereto as Exhibit A.
- 10. Prior to the commencement of these chapter 11 cases, in the ordinary course of their business, the Debtors maintained throughout the country and Puerto Rico forty-five (45) bank accounts out of

which they manage cash receipts and disbursements.

Additionally, the Debtors maintain seven (7) investment accounts (the "Investment Accounts"), which are also identified on the list attached hereto as Exhibit B.

- 11. The Debtors believe that all of the Bank Accounts are in financially stable banking institutions with FDIC insurance (up to an applicable limit per Debtor per financial institution), except with respect to the Investment Accounts, which are not subject to FDIC insurance.⁴
- 12. The vast majority of the Debtors' Bank
 Accounts are "zero balance accounts." The Debtors
 believe that their use of the Bank Accounts, including
 those accounts that are not "zero balance accounts"

 (collectively, the "Non-ZBA Accounts"), substantially
 conforms with the approved investment and deposit
 practices identified in Bankruptcy Code section 345, and
 that all money deposits are safe and prudent and yield,
 under the circumstances, the maximum reasonable net

Given the Debtors' current financial condition, the Debtors utilize only one of the Investment Accounts. The Remaining Investment Accounts remain open, but the Debtors do not currently hold any investments therein.

return on such money. Nonetheless, out of an abundance of caution, to the extent that such deposits do not conform with the approved practices identified in Bankruptcy Code section 345, the Debtors seek to have such requirements waived so as to allow the applicable banking institutions to accept and hold the Debtors' funds consistent with prepetition practices.

- 13. The Debtors believe that sufficient cause exists pursuant to Bankruptcy Code section 345(b) to allow them to deviate from the approved investment practices established by the Bankruptcy Code.
- 14. Accordingly, the Debtors respectfully request authority (a) to continue depositing funds in a safe and prudent manner, in accordance with the Debtors' prepetition practices notwithstanding that such practices may not strictly comply in all respects with the approved investment practices set forth in Bankruptcy Code section 345, and (b) for the applicable institutions to accept and hold or invest such funds in accordance with the Debtors' prepetition practices.

APPLICABLE AUTHORITY

15. Bankruptcy Code section 345 authorizes

deposits or investments of money of a bankruptcy estate, such as cash, in a manner that will "yield the maximum reasonable net return on such money, taking into account the safety of such deposit or investment." 11 U.S.C. § 345(a).

- "insured or guaranteed by the United States or by a department, agency, or instrumentality of the United States or backed by the full faith and credit of the United States," 11 U.S.C. § 345(b), Bankruptcy Code section 345(b) provides that the estate must require from the entity with which the money is deposited or invested a bond in favor of the United States secured by the undertaking of an adequate corporate surety, "unless the court for cause orders otherwise." Id.
- debtor in possession of the restrictions of Bankruptcy Code section 345(b) on a final basis for "cause." The Debtors believe that "cause" exists to waive the investment and deposit restrictions pursuant to Bankruptcy Code section 345(b).

- 18. Courts have considered a number of factors in seeking to determine whether "cause" exists pursuant to Bankruptcy Code section 345(b). See In re

 Service Merch. Co., 240 B.R. 894, 896 (Bankr. M.D. Tenn.

 1999) (identifying various factors relevant to the existence of "cause", including the sophistication and size of the debtor's business, the amounts of the investments involved, bank ratings, the complexity of the case, the debtor's safeguards for the funds, the debtor's ability to reorganize in the face of failure of one or more of the financial institutions, the benefit to the debtor of a waiver of the section 345(b) requirements, the potential harm to the estate, and the reasonableness of such a waiver under the circumstances).
- 19. Congress has emphasized that Bankruptcy
 Code section 345's investment and deposit requirements
 may be "wise in the case of a smaller debtor with
 limited funds that cannot afford a risky investment to
 be lost, [but such requirements] can work to needlessly
 handcuff larger, more sophisticated debtors." H.R. Rep.
 103-834, 103d Cong., 2d Sess. 224 (Oct. 4, 1994); 140
 Cong. Rec. H10767 (Oct. 4, 1994). Thus, Congress added

the waiver clause in section 345(b) "to allow the courts to approve investments other than those permitted by section 345(b) for just cause, thereby overruling <u>In re</u> <u>Columbia Gas Sys., Inc.</u>, 33 F.3d 294, 1994 WL 463514 (3d Cir. Del. 1994)." Id.

- 20. The Debtors believe that "cause" exists to waive the investment and deposit restrictions pursuant to Bankruptcy Code section 345(b) to the extent that the Debtors' cash management deposits do not comply. As set forth above, many of the Bank Accounts are maintained as "zero balance" or minimum balance accounts and typically do not maintain significant fund balances overnight. Therefore the investment and deposit restrictions of Bankruptcy Code section 345(b) can be waived with respect to these accounts as not applicable.
- 21. To the extent that any account is construed to have a balance substantial enough to fall within the ambit of the Bankruptcy Code section 345 protections, the Debtors believe that the safety presented by the financially stable, and government insured, banking institutions with whom the Debtors bank constitutes sufficient cause pursuant to Bankruptcy Code

section 345(b) to allow the Debtors to deviate from approved investment and deposit practices established by the Bankruptcy Code. Accordingly, the Debtors respectfully request authority to maintain their Bank Accounts in a safe and prudent manner in accordance with their existing banking practices.

have routinely granted requests to approve the continued use of investment and deposit guidelines that do not strictly comply with Bankruptcy Code section 345 but that, as here, nevertheless are safe and prudent. See, e.g., In re Movie Gallery, Inc., et al., Case No. 07-33849 (Bankr. E.D. Va. Oct. 17, 2007); In re Rowe

Furniture, Inc., Case No. 06-11143 (Bankr. E.D. Va. Sept. 20, 2006); In re The Rowe Cos., Case No. 06-11142 (Bankr. E.D. Va. Sept. No. 06-11144 (Bankr. E.D. Va. Sept. 20, 2006).

NOTICE OF INTERIM ORDER

23. Notice of this Motion will be given to:

(i) the Office of the United States Trustee for the

Eastern District of Virginia; (ii) counsel to the agent

for Debtors' postpetition lenders; (iii) counsel to the

agent for the Debtors' prepetition lenders; and (iv) the Debtors' top fifty (50) largest unsecured creditors on a consolidated basis. The Debtors submit that, under the circumstances, no other or further notice of the Motion is required.

WAIVER OF MEMORANDUM OF LAW

24. Pursuant to Local Bankruptcy Rule 90131(G), and because there are no novel issues of law
presented in the Motion and all applicable authority is
set forth in the Motion, the Debtors request that the
requirement that all motions be accompanied by a
separate memorandum of law be waived.

NO PRIOR REQUEST

25. No previous request for the relief sought herein has been made to this Court or any other court.

CONCLUSION

WHEREFORE, the Debtors respectfully request that the Court enter an Order, substantially in the form annexed hereto, granting the relief requested in the Motion and such further relief as may be just and proper.

Dated: November 10, 2008 Richmond, Virginia

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(804) 775-1000

Proposed Counsel for Debtors and Debtors in Possession

EXHIBIT A

(List of Bank Accounts)

Exhibit A List of Bank Accounts

Bank	Debtor	Account Number	Purpose
American Savings Bank Attn: Mel Yamamoto 677 Ala Noana Blvd. Honolulu, HI 96813 Tel: (808) 539-7811 Fax: (808) 531-0277	Circuit City Stores, Inc.	xxxxxx6380	Store Depository
AmSouth/Regions Attn: Dawn Smith 1900 5 th Avenue, North 23 rd Floor Birmingham, AL 35203 Tel: (205) 264-5222 Fax: (205) 307-4130	Circuit City Stores, Inc.	xxxxxx3210	Store Depository
Banco Popular	Circuit City	xxxxx5139	Operating Account
Attn: Amarilis Ginnes	Stores Puerto	xxxxx5120	Depository Account
209 Ponce de Leon Ave. Popular Center Building, Floor 6 Hato Rey, Puerto Rico 00917 Tel: (787) 765-9800 (ext. 5800) Fax: (787) 756-5055	Rico LLC	xxxxx5147	Payroll Account
Bank of America	Circuit City	xxxxxx9967	Store Depository
Attn: Jay Norris 101 South Tryon Street	Stores, Inc.	xxxxxx3301	Credit Facility Funding Account (Z-line)
Charlotte, NC 28255		xxxxxx5447	Sky Venture Account
Tel: (704) 387-3035		xxxxxxxx1020	Circuit City Global Sourcing U.S. Dollar
Circuit City Global Sourcing			Account
Accounts Attn: Darlene Holtz		xxxxxxxx1012	Circuit City Global Sourcing HK Dollar
201 East Washington			Account

Bank	Debtor	Account Number	Purpose
Collier Center, 22nd Fl Phoenix, AZ 85004 Tel: (602) 523-2141 Fax: (701) 388-0959		xxxxxxxx1038	Circuit City Global Sourcing HK Dollar PC Account
		xxxxxxx2036	Circuit City Global Sourcing TW Dollar Account
	Circuit City Stores West	xxxxxx0844	Circuit City Datamailer (Payroll)
	Coast, Inc.	xxxxxx1029	Concentration Account for Payroll Paychecks
		xxxxxx1034	Operating Account
		xxxxxx7748	Payroll Account (ZBA)
Chase	Circuit City	xxxxx7244	Store Depository
Attn: Christie Donahue 50 Rowes Wharf, 4 th Floor Boston, MA 02110 Tel: (617) 310-0766	Stores, Inc.	xxxxx0266	Empire Blue Cross/Payment of Medical Claims
FifthThird Bank Attn: Tom Galbo 114 Anderson Farm Ct. Charlotte, NC 28117 Tel: (704) 662-9490 Fax: (704) 892-1026	Circuit City Stores, Inc.	xxxx6916	Credit Card
Suntrust	Circuit City	xxxxxx3706	Concentration Account
Attn: Donna Smith 919 East Main St., 22 nd Floor Richmond, VA 23219 Tel: (804) 782-7557 Fax: (804) 782-5566	Stores, Inc.	xxxxxx6660	E/P Disbursement
Wachovia	Circuit City	xxxxxxxxx5100	Store Depository
Attn: Parshant Dhiman 301 South Tryon Street, NC	Stores, Inc.	xxxxxxxxx9620	American Express Credit Card
5710		xxxxxxxx4767	Corporate Jet Account
Charlotte, NC 28288-0013		xxxxxxxxx9993	Deposit Account
Tel: (704) 383-0803 Fax: (704) 805-7171		xxxxxxxx9858	Tourmalet Corp LLC Tax Payments
		xxxxxxxx9528	Ventoux International - Holding Company Tax Payments, Intercompany Interest
		xxxxxxxxx0950	Lockbox

Bank	Debtor	Account Number	Purpose
		xxxxxxxxx4038	Direct Deposit Payroll Settlement
		xxxxxxxxx5191	Empire Blue Cross
		xxxxxxxxx7073	Extended Service
			Contract Warranty
			Payments
		xxxxxxxx4528	Fifth Third Bankcard
		xxxxxxxxx3099	Fifth Third Check
			Collection – gift card
			purchases over the web
			with gift cards
		xxxxxxxxx8908	HFC third party financing sales commissions
		xxxxxxxxx1509	Main
			Concentration/Operating
			Account
		xxxxxxxxx6031	Music Payables
		xxxxxxxxx9175	Purchasing Co., LLC
		0002	Main Operating Account
		xxxxxxxxx0992	Purchase Co., LLC Purchase EP
			disbursement
		xxxxxxxxx1107	Reverse Affiliates
		AAAAAAAATTO	Lockbox
		xxxxxxxxx1048	Sales Receivables
			Lockbox
		xxxxxxxxxx6044	Service Payables
		xxxxxxxxx2189	Payments from Sublease Tenants
		xxxxxxxxx9133	Trading Circuits – internet sales of merchandise not sold in stores
		xxxxxxxxx6733	Vendor Disbursements
Wells Fargo	Circuit City	xxxxxx4672	Store Depository
Attn: Ryan Carlson MAC N9305-052, 6 th & Marquette Minneapolis, MN 55479 Tel: (612) 667-9566	Stores, Inc.	AAAAAA40/2	Store Depository
Fax: (612) 344-1001			

EXHIBIT B

(List of Investment Accounts)

EXHIBIT B

<u>List of Investment Accounts</u>

Bank	Debtor	Account Number
Bank of America/CRP Securities, LLC Attn: Laura Bynum 600 Peachtree St. NE 4 th Floor Atlanta, GA 30308 Tel: (404) 607-4943 Fax: (404) 607-6624	Circuit City Stores, Inc.	xx7458
Fifth Third Securities, Inc. Attn: J.B. Ward 38 Fountain Square Plaza Cincinnati, OH 45263 Tel: (513) 534-3072 Fax: (513) 579-6246	Circuit City Stores, Inc.	xxxxxx9774
J.P. Morgan Securities, Inc. Attn: James M. Griffin 270 Park Ave. 8 th Floor New York, NY 10117 Tel: (212) 834-2300 Fax: (212) 332-4617	Circuit City Stores, Inc.	xx2526

Bank	Debtor	Account
		Number
Merrill Lynch Global Institutional Advisory Division Attn: Scott Dorsey 100 Jericho Quadrangle P.O. Box 787 Jericho, NY 11753 Tel: (516) 827-3283 Fax: (516) 935-5330	Circuit City Stores, Inc.	xxxx07Z07
RBC Dain Rauscher Attn: Paul Kitzinger 100 Second Ave. South Suite 800 St. Petersburg, FL 33701 Tel: (727) 502-3634	Circuit City Stores, Inc.	xxxxxxxx1817
UBS Financial Services, Inc. Attn: Steven Hayden 33 South 6 th Street Suite 3737 Minneapolis, MN 55402 Tel: (612) 371-4129 Fax: (612) 371-4117	Circuit City Stores, Inc.	xxxx3160

Bank	Debtor	Account Number
Wachovia Bank & Securities	Circuit City Stores, Inc.	xxxx9008
Attn: Eddie Tugman		
One Wachovia Center		
NC 0602		
Charlotte, NC 28288		
Tel: (704) 374-4164		
Fax: (704) 374-3375		

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Proposed Counsel to the Debtors and Debtors in Possession

> IN THE UNITED STATES BANKRUPTCY COURT FOR THE EASTERN DISTRICT OF VIRGINIA RICHMOND DIVISION

- - - - - - - - x In re: : Chapter 11 CIRCUIT CITY STORES, INC., : Case No. 08- () <u>et</u> <u>al</u>., Debtors. : Jointly Administered

INTERIM ORDER PURSUANT TO BANKRUPTCY CODE SECTIONS 105 AND 345 WAIVING INVESTMENT AND DEPOSIT REQUIREMENTS

Upon the motion (the "Motion") of the Debtors for an Order, pursuant to Bankruptcy Code sections 105 and 345, waiving investment and deposit requirements;

Capitalized terms used herein shall have the meanings ascribed to such terms in the Motion.

and the Court having reviewed the Motion and the Besanko Declaration; and the Court having determined that the relief requested in the Motion is in the best interests of the Debtors, their estates, their creditors, and other parties in interest; and it appearing that proper and adequate notice of the Motion has been given and that no other or further notice is necessary; and upon the record herein; and after due deliberation thereon; and good and sufficient cause appearing therefor, it is hereby,

ORDERED, ADJUDGED, AND DECREED that:

- 1. The Motion is GRANTED.
- 2. The Debtors are authorized to invest and deposit funds in accordance with the Debtors' established investment and deposit practices and guidelines in effect as of the commencement of these cases (as described in the Motion) and, to the extent that such investment and deposit practices and guidelines are not consistent with the requirements of Bankruptcy Code section 345(b), such requirements are waived, for good cause shown.

- 3. Notwithstanding Rule 6004 of the Federal Rules of Bankruptcy Procedure (to the extent applicable), this Order shall be effective and enforceable immediately upon entry hereof.

- 6. The requirement under Local Bankruptcy Rule 9013-1(G) to file a memorandum of law in connection with the Motion is hereby waived.
- 7. This Court retains jurisdiction to hear and determine all matters arising from or related to the implementation or interpretation of this Order.

Dated: Richmond, Virginia November ____, 2008

WE ASK FOR THIS:

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Proposed Counsel to the Debtors and Debtors in Possession

CERTIFICATION OF ENDORSEMENT UNDER LOCAL RULE 9022-1(C)

I hereby certify that notice of the Debtors' intent to seek entry of the foregoing proposed order was provided to the parties identified in the Motion and copy of this proposed order was provided to the Office of the United States Trustee for the Eastern District of Virginia prior to submission to this Court.

/s/ Douglas M. Foley